

**CALIFORNIA ENERGY COMMISSION
MAY REVISE PROPOSAL
FY 2009-10**

**American Recovery and Reinvestment Act: Energy Efficiency and Conservation
Block Grants**

A. Nature of Request

This proposal requests federal expenditure authority for \$49,603,400, consisting of 5 permanent positions, \$65,000 in annual travel-related operating funds and \$48,900,000 for energy efficiency and conservation activities. The positions and operating funds will be used to administer the Energy Efficiency and Conservation Block Grant Program, authorized as Sections 541-548 of the Energy Independence and Security Act of 2007 (EISA) and as further directed by California's Assembly Bill 2176 (Caballero), Chapter 229, Statutes of 2008. This proposal will be funded by the federal block grant. The grants are intended for eligible entities to implement energy efficiency and conservation strategies. This proposal also requests annual baseline federal grant project funding authority.

Using the information in EISA as a guideline, the Energy Commission estimates administering \$ 50 Million initially and \$34 million annually thereafter, in Energy Efficiency and Conservation block grants for 5 years of grant awards, plus one or more additional years to complete grant verifications and close out activities. For fiscal year 2009-10, \$50 million, included in the American Recovery and Reinvestment Act (ARRA), is requested for projects. For fiscal year 2010-11 and thereafter, this amount will be adjusted based on actual federal grant awards and balances. Eligible entities are the approximately 260 California cities with populations smaller than 35,000 and the 31 California counties with populations less than 200,000.

B. Background/History

In 2007 the US Congress passed, and the President signed into law, the Energy Independence and Security Act of 2007. This bill was an omnibus bill that addressed a variety of subjects and sectors of the economy. One of the many sections in the bill was Title V - Energy Savings in Government and Public Institutions, Subtitle E - Energy Efficiency and Conservation Block Grants. Subtitle E, Section 548, establishes a Block Grant Program for \$2 billion per year for a five year period.

In 2009, Congress funded this program at \$3.2 billion in the American Recovery and Reinvestment Act, with the funds to be committed within 18 months.

These grants will allow eligible entities to implement a variety of projects and activities that would reduce energy costs, greenhouse gas and criteria pollutant emissions, total energy use, and improve energy efficiency in building and other appropriate sectors. This program will provide local and county governments with a critical financial resource that will assist them reducing their energy costs

and in complying with state emission reduction goals while at the same time meeting EISA objectives.

The overall program and funding is split into four major components, one of which affects the Energy Commission and is the subject of this request. Section 543 states that of the amounts made available to provide grants each fiscal year, the Secretary shall allocate 28 percent to the states in accordance with subsection (c). This subsection states that each state will get not less than 1.25 percent of the available distribution, and the remainder will be provided based on a formula that takes into account the state's population and any other appropriate criteria determined by the Secretary of the Department of Energy (DOE). The first year's allocation, of \$49.6 Million, is based on the ARRA funding of \$3.2 Billion. Future years' funding, based on Section 543, the total allocation for all states in the United States is estimated to be \$560 million (28% of \$2 billion). California's share is estimated to be approximately \$34 million per year.

The Energy Commission intends to jointly market the Energy Efficiency and Conservation Block grants along with the Commission's existing technical assistance and loan programs. These existing programs use 11.5 positions and include:

- **Bright Schools and Energy Partnership Programs:** These programs assist K-12 schools, local governments, colleges, hospitals, special districts and public care facilities by conducting energy audits and studies to identify energy saving projects. Staff plan and administer the programs, conduct public outreach, provide energy audits, manage projects, work with public agencies to implement recommendations, review consultant (our contract contractors and/or hired by the jurisdiction) reports and designs, and work with state agencies and others to encourage high performance school standards. Annually, staff receives about 400 requests for assistance and provides as much advice and assistance as possible to every request. Of these 400 requests, about 50 are eligible for full assistance through the program and receive on-site audits or studies to identify potential energy saving opportunities. These audits/studies are performed by staff and/or a Commission consultant. Additionally, staff participates in over 50 outreach events (e.g., presentations and exhibits).
- **Energy Efficiency Financing Program:** This program provides loans to local governments, schools and colleges, hospitals, special districts, and public care facilities to implement energy efficiency and energy generation projects. Staff in this program also assists in securing revenue bonds to supplement existing loan funding. Specific staff work includes conducting public outreach, reviewing loan applications, managing loan projects to ensure compliance with program requirements, meeting with prospective and current loan recipients, and conducting pre and post site inspections. Staff is currently managing 16 active loans totaling \$27.3 million.

The existing programs are available to local governments and other public agencies. As such, there is a good match and synergy between the target audience of our existing programs and the new federal grant program. The Energy Commission's technical assistance program could initially provide engineering and other expert consultants to help identify and evaluate energy saving opportunities in local government facilities. Since the existing programs also serve customers not eligible for the federal grants, such as K12 schools, hospitals and colleges, special districts and public care facilities, existing staff will continue to assist these customers while new staff implements the federal grant program.

As the federal funds will be available in 2009, the Commission plans to use existing staff to develop the program plan required to be submitted to DOE. The 5 permanent positions will be responsible for carrying out the resulting activities once approved by the DOE. Based on estimates of up to 300 new grant applications received annually under the federal block grant program, additional workload cannot be absorbed with the resources currently available.

C. State Level Considerations

AB 2176 confirms that the Energy Commission has the responsibility to carry out the Energy Efficiency and Conservation Block Grant Program authorized by EISA. AB 2176 requires that not less than 60 percent of the funds received be used to provide cost-effective energy efficiency and conservation grants to cities with a population of less than 35,000 and counties with a population of less than 200,000, and be prioritized based on cost-effective energy efficiency. It states that remaining funds be used to provide cost-effective energy efficiency and conservation grants to eligible entities consistent with EISA, and that these funds be prioritized based on cost-effective energy efficiency and conservation. It further obligates that not more than 5 percent of the funds be expended for administrative expenses, which is less than the 10 percent EISA allowance for administration.

D. Facility/Capital Outlay Considerations

The Energy Commission will be required to procure additional office space and/or reconfigure existing space to accommodate the positions requested in this proposal. Funding is included in the Facilities Operation line item in the Fiscal Detail section of this proposal.

E. Justification

Section 25450.1 of AB 2176 states that "funds allocated to and received by the state pursuant to the Energy Independence and Security Act of 2007 (42 U.S.C. Sec. 17001 et seq.) shall be administered by the commission." This program is consistent with the Energy Commission's Integrated Energy Policy Report (IEPR) which identifies energy efficiency as first in the priority order for meeting the

state's energy requirement. This change is also consistent with the state's mandate to reduce greenhouse gases emissions.

In general, the resources being requested will be used to implement the Energy Efficiency and Conservation Block Grant Program, authorized by EISA and AB 2176. This includes:

- Development of operational detailed marketing plan;
- Conducting outreach and marketing to the designated target eligible governmental organizations;
- Providing technical support and guidance to applicants to maximize energy efficiency and ensure that efficiency and conservation projects are reasonable and cost effective;
- Conducting monitoring and verification to quantify consumption, savings and verifying that the funding is being used as intended and that project installation is proceeding at an acceptable schedule; and
- Processing the individual applications, coordinating with DOE and the State Controller's Office to issue the grant funding checks.

The proposed positions will perform the following duties. See Attachment A, Workload Standards, for specific task detail.

One - Energy Commission Specialist III – The Energy Specialist III will be the lead person responsible for interacting with DOE, the funding agency. This individual will direct program staff in carrying out their technical and marketing responsibilities; preparing detailed programmatic materials; securing resources; interfacing with management; developing and reviewing solicitation packages; scoring project proposals; and preparing required reporting to document energy efficiency benefits and savings.

One – Senior Mechanical Engineer - This position will provide and coordinate technical support in directing program staff in carrying out their technical responsibilities and providing oversight of technical work. This individual will ensure that funded projects are technically and economically feasible; energy savings are realistic; and will lead all pre and post-installation monitoring and verification activities. The Senior Mechanical Engineer will be the prime contact with the grant applicant's engineering and technical personnel. The position will also provide technical guidance for the existing engineering staff in the Public Program and Special Project units, staffing the public agency technical assistance and financing activities.

One - Energy Commission Specialist II – The Energy Commission Specialist II will be responsible for conducting outreach activities to the target cities and counties and coordinate with utility and governmental consortia organizations. They will interact with city and county officials, utility staff, local government trade associations, and others. They will also provide expert technical guidance to local governments in the oversight/guidance as they develop their individual applications for the grants. These individuals will evaluate the applications; and

conduct site visits. As part of the marketing and outreach, these individuals will lead workshops with targeted local government officials and one-on-one meetings with industry and affected stakeholders on developing focused solicitations.

One - Energy Commission Specialist I – The Energy Commission Specialist I will be responsible for the evaluation of the block grant program and the monitoring and verification of energy and greenhouse gas emissions savings from funded activities. This staff will develop and implement evaluation and monitoring and verification plans, prepare market surveys, collect and evaluate project data, establish databases to monitor the fiscal, project and energy saving status of projects. This staff will provide data to support DOE and others and recommend changes in strategies, as appropriate.

One – Associate Government Program Analyst (AGPA) – One position will be required to process the applications and paperwork that is associated with administering the delegated grant approval process from DOE and submitting the associated applications and paperwork to DOE. This includes (a) solicitation development and administration, (b) grant agreement development and execution, (c) invoice review and approval, (d) grant agreement amendments, and (e) grant agreement close out. In addition, this position would also be assigned the responsibilities of interfacing with the U.S. DOE in terms of (a) gaining federal authority and approval on the use of funds, (b) coordinating and reporting to DOE on each activity conducted under the program, (c) budgeting and reconciling overall program budget, and (d) amending federal authority, as necessary, through the life of the program. This administrative officer is needed to ensure that all administrative, legal, and policy/procedural requirements both at the federal and state levels are met and enforced. This position provides the administrative expertise related to budgeting, accounting, federal authorities and legal questions. Based on estimates of 2-3 additional grant solicitations per year, this will result in up to 300 applications and 100-200 actual grant awards per year.

F. Outcomes and Accountability

The Energy Independence and Security Act of 2007 and AB 2176 serve as the basis for this budget change proposal. The EISA grant program is consistent with the 2007 IEPR. If this proposal is approved, we would use the Energy Commission Workplan process to develop and manage the overall program.

- *What is the hiring plan for the positions, if any, being requested?*

Hiring will be carried out using the current personnel process. Job opportunity notices will be released to existing classification lists. Prospective hires will be interviewed, evaluated, and selected on the basis of their training, experience, and performance in the interview.

- *What measures will be taken to ensure that outcomes identified in the BCP are achieved?*

In the workplan process we identify and develop measures for successful Program outcomes in order to track and monitor the progress of individual activities in achieving those outcomes. This is a major element of the requirements accompanying the ARRA funding. These measures of success would be the same as those for the BCP outcomes. Additionally, the Energy Independence and Security Act requires that the Energy Commission submit to DOE annual reports that describe the status of the program, the energy efficiency gains achieved through the program and the specific goals for subsequent calendar years

- *What controls will be in place to ensure the appropriate use of the requested resources or authority?*

Authorized positions will be established in the specific divisions/offices responsible for the work authorized in this proposal. Annually, the Energy Commission prepares detailed workplans and allocations of authorized funds. The Energy Commission's fiscal year 2009-10 Workplans will identify BCP-specific contract resources only available for expenditure to perform specific work identified and described in the Nature of Request and Justification sections of this proposal.

- *How will the requested resources be accounted for and monitored?*

Newly authorized positions will be established in the appropriate program/element and office, and expenditures will be accounted for under unique accounting units and California State Accounting and Reporting System (CALSTARS) program cost accounts (PCA). Allocation and encumbrance of authorized contract resources will be recorded in the fiscal office's contract database. Program staff will develop and execute the contract, ensuring the work statement, tasks, and deliverables are consistent with the approved proposal. Once executed, the ongoing contract management and monitoring for compliance will be performed by assigned program contract managers.

- *Will there be progress and/or outcome reports completed? If so, how often and to whom will they be distributed?*

The US DOE requires quarterly reporting of ARRA fund expenditures, and annual reports to document the status of the program along with the energy efficiency gains. Staff performance and program progress is routinely monitored by periodic internal Workplan reports as part of the overall Workplan process and reported to Energy Commission management.

G. Analysis of All Feasible Alternatives

1. Do Nothing

This is not a viable alternative, as there is existing law (AB 2176) that mandates the Energy Commission to implement the provisions of the program. Doing nothing would require the state to return almost \$50 million to the federal government and forgo the opportunity to create jobs and generate energy reduction throughout California.

2. Fund this Proposal

This proposal would be funded by the federal Energy Efficiency and Conservation Block Grant Program authorized under EISA. The grant funds received will allow the Energy Commission to carry out its obligations to properly assess and provide grants to eligible applicants who can implement cost-effective conservation and energy efficiency benefits.

H. Timetable

Activity	(Month & Year)
<i>Pre BCP period</i>	
Develop program strategy, meet with stakeholders, conduct workshops, get stakeholder input, etc.	April 2009 - July 2009
Prepare and submit to DOE the plan application.	May 2009
<i>BCP Period</i>	
Receive DOE approval on program.	July 2009
Hire staff.	July - August 2009
Post/Issue grant application packages for 2009-12 Grant Program funds.	August 2009 – ongoing
Market program to local governments (cities and counties).	July 2009 – ongoing
Evaluate proposals.	October 2009 – ongoing
Make 2009-12 Program funding awards at appropriate business meetings.	November 2009 – December 2012
Publish case studies and annual program report and updates.	June 2010 - ongoing

I. Recommendation

The recommended alternative is number 2 – to approve federal project funding authority and to provide staff and operating funds needed for the Energy Commission to successfully implement the Energy Efficiency and Conservation Block Grant Program as directed by AB 2176. The grants and staff will be funded by the block grant.

J. Environmental Protection Indicators for CA (EPIC) Impacts

This proposal will have overall benefits to the environmental indicators for air quality, green house gas emissions reductions, energy security, fuel diversity, and toxic air contaminants, since the programs will result in the implementation of energy efficiency strategies.